

Message Text

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60

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 TRSE-00 OMB-01 USIE-00

AGR-20 NSCE-00 INRE-00 SSO-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01

SP-03 SS-20 AID-20 DRC-01 TAR-02 CIEP-02 CEA-02 /139 W

----- 080769

O 181840Z MAY 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC IMMEDIATE 7063

INFO AMEMBASSY BOGOTA IMMEDIATE

AMEMBASSY BRASILIA IMMEDIATE

AMEMBASSY GUATEMALA IMMEDIATE

AMEMBASSY MANAGUA IMMEDIATE

AMEMBASSY PANAMA IMMEDIATE

AMEMBASSY QUITO IMMEDIATE

SAMEMBASSY SAN SALVADOR IMMEDIATE

AMEMBASSY TEGUCIGALPA IMMEDIATE

AMCONGEN/GUAYAQUIL IMMEDIATE

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E. O. 11652 : N/A

TAGS: ETRD, CS

SUBJECT: STANDARD OFFERS TO SELL ITS HOLDINGS IN COSTA RICA TO GOCR

1. THE STANDARD FRUIT COMPANY SENT A CABLE TO COSTA RICAN PRESIDENT ODUBER

ON THE EVENING OF MAY 17 IN WHICH IT STATED THAT BECAUSE IT HAS NOT BEEN POSSIBLE TO HOLD DISCUSSIONS ON THE ISSUE OF THE BANANA TAX IN AN ATMOSPHERE FREE FROM DURESS, AND BECAUSE STANDARD RECOGNIZES THE ULTIMATE INCOMPATIBILITY OF THE POINTS OF VIEW OF THE GOCR AND STANDARD ON THIS ISSUE, STANDARD HAS DECIDED TO ACCEPT THE OFFER MADE BY PRESIDENT FIGUERES ON MARCH 21, 1974 AND AGAIN ON MARCH 25, 1974 TO PURCHASE FOR CASH AT BOOK VALUE STANDARD'S

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BANANA HOLDINGS IN COSTA RICA.

2. AS A GESTURE OF GOOD WILL STANDARD INFORMED ODUBER IN THE CABEL THAT IT IS IMMEDIATELY REINSTITUTING ITS BANANA SHIPMENTS AT A LEVEL REQUESTED IN A CONVERSATION HELD ON THE EVENING OF MAY 15. PRESUMABLY THIS CONVERSATION WAS BETWEEN STANDARD AND GOCR OFFICIALS.

3. THIS STORY HAS NOT HIT THE COSTA RICAN PRESS YET. STANDARD PLANS TO ISSUE A PRESS RELEASE ON MONDAY, MAY 20.

4. THE FULL TEXT OF THE CABLE IS AS FOLLOWS

"IT HAS BEEN TWO MONTHS SINCE OUR COMPANY WAS INFORMED IN TEGUCIGALPA THAT A TAX WAS TO BE IMPOSED ON THE EXPORT OF BANANAS. DURING THIS TIME OUR EXECUTIVES HAVE TRAVELLED EXTENSIVELY THROUGHOUT CENTRAL AMERICA TO URGE A SUSPENSION OF THIS TAX WHILE THE TRUE ECONOMICS OF ITS IMPACT WERE STUDIED BY THE COUNTRIES INVOLVED AND THE COMPANY. THE URGENCY OF THE SUSPENSION WAS TWO FOLD.

FIRST, SUCH DISCUSSIONS CANNOT BE FRUITFUL WHEN CONDUCTED UNDER DURESS TO EITHER PARTY. SECOND, ECONOMIC LOSSES AND IMBALANCE IN PRODUCTION CAUSED BY THE PAYMENT OF THE TAX IMPOSED IN SOME COUNTRIES AND NOT IN OTHERS, COMBINED WITH ECONOMIC LOSSES SUSTAINED EARLIER IN THE YEAR DUE TO OVER-SUPPLY, BRING INTO QUESTION AT THE POLICY-MAKING LEVEL OF OUR COMPANY THE LONG-TERM ECONOMIC VIABILITY OF THE INDUSTRY IN SOME COUNTRIES.

LAST NIGHT BY TELEPHONE OUR COMPANY WAS INFORMED THAT A SUSPENSION OF THE TAX DURING THE DISCUSSIONS COULD NOT BE AGREED TO,⁵

RECOGNIZING THE ULTIMATE INCOMPATIBILITY OF OUR POINTS OF VIEW ON THIS ISSUE, AND RECOGNIZING THE DESTRUCTION OF OUR REPUTATION IN YOUR COUNTRY WHICH HAS TAKEN PLACE AS WE HAVE URGED CONSIDERATION OF OUR POINT OF VIEW, WE REGRETFULLY SEE NO ALTERNATIVE BUT TO ACCEPT TODAY THE OFFER MADE BY PRESIDENT FIGUERES ON MARCH 21, 1974 AND AGAIN ON MARCH 25, 1974 TO PURCHASE FOR CASH AT BOOK VALUE OUR BANANA AND BANANA-RELATED OPERATIONS IN YOUR COUNTRY AND THE RESULTANT RELEASE TODAY OF OUR COMPANY FROM ANY FURTHER ACCRUAL OF LIABILITY FOR THE TAX.

ACCORDINGLY WE ARE IMMEDIATELY REINSTITUTING SHIPMENTS AT THE LEVEL REQUESTED LAST NIGHT BY TELEPHONE IN ORDER TO PROVIDE A MORE FAVORABLE ATMOSPHERE FOR A SMOOTH TRANSITION OF OWNERSHIP."

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5. EMBASSY COMMENT: A MONTH OR SO AGO THE LOCAL PRESS CARRIED STORIES QUOTING PRESIDENT FIGUERES AS OFFERING TO BUY OUT STANDARD IF IT DID NOT COMPLY WITH THE NEW TAX. THIS OFFER DID NOT APPEAR TO BE A SERIOUS ONE AT THE TIME AND MOST OBSERVERS PUT IT DOWN AS RHETORIC. IN VIEW OF THIS DEVELOPMENT IT LOOKS AS IF STANDARD IS CALLING FIGUERES BLUFF.

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Draft Date: 18 MAY 1974
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Disposition Date: 28 MAY 2004
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30 JUN 2005

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